

Morningstar® Women's Empowerment IndexSM

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Powered by Equileap

To construct the index, Morningstar uses gender equality data provided by Equileap, a data provider based in Amsterdam and London. Equileap assesses 3,000 companies across 23 countries on 19 gender-focused criteria inspired by the Women's Empowerment Principles of the United Nations.

Although women represent roughly half the population and exceed men in educational attainment in the U.S., they remain underrepresented in the workplace, and a pernicious gender pay gap persists.

Some organizations actively foster gender equity by promoting gender balance in their workforce, their leadership, and their supply chain. They institute inclusive policies and create a culture of transparency and accountability.

A number of factors might motivate a commitment to gender equity. Morality is certainly among them. But many for-profit companies view gender diversity as advancing their business goals. They might want to burnish their brand, better serve customers, or attract top-level talent. Improved decision-making resulting from a mix of perspectives and problem-solving approaches is another benefit. Research shows that companies that embrace gender diversity perform better.¹

The Morningstar® Women's Empowerment IndexSM built with data and scoring methodology of Equileap offers diversified exposure to large- and mid-cap U.S. companies that have embraced strong gender diversity practices and demonstrate a commitment to equal opportunity.

Index Eligibility

The Morningstar Women's Empowerment Index derives its constituents from the Morningstar US Large-Mid Index, which targets 90% of U.S. equity market capitalization. To be eligible for the women's empowerment index, a company must have undergone a robust assessment by researcher Equileap (see sidebar). Companies are ineligible if they are involved in weapons, gambling, or tobacco or if they have been named by Norway's Council on Ethics for the Government Pension Fund for human rights violations, environmental damage, or corruption. Companies are also ineligible if they have been involved in any of the following:

- ▶ A legal judgment or official ruling regarding gender discrimination or sexual harassment
- ▶ Two or more legal cases brought against the company regarding gender discrimination or sexual harassment, even if settled
- ▶ Two or more legal judgments or official rulings regarding gender discriminatory practices in marketing and advertising

Index Selection

Companies are selected on the basis of their score on the Equileap Gender Scorecard, which is driven by 19 criteria across four broad categories:

- ▶ Gender balance in leadership and workforce
- ▶ Equal compensation and work-life balance
- ▶ Policies promoting gender equality
- ▶ Commitment to transparency and accountability

Morningstar Women's Empowerment Index Construction Process



¹ Dawson, J., Kersley, R., and Natella, S. 2016. "The CS Gender 3000: The Reward for Change." Credit Suisse Research Institute. September 2016. <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=5A7755E1-EFDD-1973-A0B5C54AFF3FB0AE>. and Hunt, V., Layton, D., and Prince, S. 2015. "Why Diversity Matters." McKinsey & Co. Feb. 2, 2015. <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>.

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Examples of indicators include the number of women on the corporate board of directors, the gender balance of senior management in comparison to the company's workforce makeup, and policies around paid maternity leave. The index targets the 200 best-scoring stocks, subject to sector constraints (see Index Weighting section). The actual number of index constituents may not always be 200, depending on eligibility criteria, weighting considerations, the number of share classes of stock a company offers, or mergers and acquisitions. To reduce turnover, constituents may remain in the index so long as their relative rank does not deteriorate significantly.

Index Weighting

Securities are weighted according to float-adjusted market capitalization, which ensures low turnover and macro consistency. Index weight devoted to individual companies is capped at 5% of overall index weight. To ensure diversification and minimize performance deviation from the overall market, the index's sector weights are kept within plus or minus 2 percentage points from their weight in the Morningstar US Large-Mid Index. These constraints can be relaxed depending on the number of eligible securities.

Rebalancing and Reconstitution

The index is reconstituted (membership reset) annually in December on the Monday following the third Friday of the month. If Monday is a holiday, reconstitution is effective on the following business day. The index is rebalanced (weights reset) quarterly, in March, June, September, and December on the Monday following the third Friday of the month. Market data used is as of the last trading day of February, May, August, and November.